

substitute item that provides at least the same capability or readiness as the item being sold (e.g., sale of an M-48 tank and purchase of an M-60 tank). The price of the item to be replaced must be the best estimated cost of the replacement item available at the time the item is dropped from inventory, plus the nonrecurring recoupment charge of the item being sold, adjusted for the remaining service life of the item being sold. The final bill will utilize the best pricing information available if actual replacement procurement cost is not known. This must be the final cost to the purchaser regardless of the actual cost of final replacement procurement. [FMR volume 15, chapter 7, section 070302C.2]

Excess Defense Articles (EDA)

Excess defense articles (EDA) are items excess to the approved force acquisition level and approved force retention stock requirements of all DOD components. A determination of “excess” is made by DOD based on recommendation by the applicable DOD system or item manager. Any EDA transfers from DOD inventories are in an “as is, where is” condition which is defined in chapter 10 of this textbook. The cost of excess items is determined by computing and then using the highest of market, scrap, or fair value plus any applicable non-recurring (NC) and applicable overhaul charges. Military articles are not sold for less than scrap value. If the item is repaired, rehabilitated, or modified for transfer, this extra cost will be also applied to indicate the final price of the item. Fair value is based on the applicable Federal Condition Code as shown in figure 12-3. The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price [FMR volume 15, chapter 7, section 070304]. If the IA proposes the price of materiel to be less than the 5 percent minimum threshold indicated in FMR table 7-2, or if they propose to waive the overhaul costs, a detailed justification must be sent to DSCA. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

**Figure 12-3
Federal Condition Codes for EDA**

To calculate EDA fair value, determine the applicable percentage at the intersection of the EDA Supply Condition and Disposal Condition Codes and then multiply percentage by the established inventory price.				A	B	C	D	E	F	G	H	S
				SERVICEABLE				UNSERVICEABLE				
				Issuable without qualification	Issuable without qualification	Priority Issue	Test/Modification	Limited Restoration	Repairable	Incomplete	Condemned	Scrap
Disposal Condition Codes	1	Unused	Good	50%	30%	30%	30%					
	2		Fair	30%	20%	20%	20%					
	3		Poor	10%	10%	10%	10%					
	4	Used	Good	40%	30%	30%	30%					
	5		Fair	30%	20%	20%	20%					
	6		Poor	10%	10%	10%						
	7	Repairs Required	Good				20%	20%	20%	20%	10%	
	8		Fair				5%		10%		5%	
	9		Poor				5%		5%		5%	
	X	Salvage							5%	5%	5%	
	S	Scrap										

Personnel Services

Many FMS and BPC LOAs contain personnel support costs such as engineering services, configuration data management services, technical services, training team members, etc. These services must be priced to recover all USG costs and will be included as separate, well-defined lines on the

LOAs. This section excludes personnel performing DOD training services as that will be discussed in the next section (Training Pricing). DOD personnel services LOA lines must be priced to recover not only the appropriate wages, but also all appropriate applicable entitlements. The base pricing for both civilians and military personnel performing these services include wages, acceleration factors, temporary duty/permanent change of station costs, and personnel support costs. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail [FMR volume 15, chapter 7, section 0702].

SAMM table C9.T2 (Case-Related Manpower Functions and Funding Source Manpower Matrix) indicates which activities should be included as line items on the case (direct charges) and which activities are covered under the FMS Administrative Surcharge (indirect charges). For LOAs or case line items “accepted” after August 1, 2006, any program management services will be included on well-defined, services line items on the case.

Services performed by DOD civilian personnel must be priced at rates in effect at the time the services are performed. Civilian personnel salary tables are available at the Office of Personnel Management (OPM) web site (<http://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>). There are several components to civilian personnel pricing—including base salary, leave and holidays acceleration, civilian personnel fringe benefit rate, and the unfunded civilian retirement (UCR) factor. Base salary rates must be accelerated as discussed in the FMR volume 15, chapter 7, section 070202. The applicable Civilian Personnel Fringe Benefits are posted at the OSD Comptroller (<http://comptroller.defense.gov/>) website, and can be accessed via the “DOD Reimbursable Rates” link on that page. The notes within that link’s table identify which percentages should be used for Building Partner Capacity (BPC) and those that should be applied for FMS LOAs. The DSCA Policy Memo 13-29 was issued to clarify the appropriate pricing of civilian personnel costs applicable to both FMS and BPC cases as priced in DSAMS. The pricing principles apply regardless if the civilian pay is a stand-alone line or whether it is embedded into a unit cost.

Military personnel services must be priced using the composite standard pay rates current at the time services are performed. Current reimbursable rate tables are available at the OSD Comptroller web site (<http://comptroller.defense.gov/>) and can be accessed via the “DOD Reimbursable Rates” link on that page. Rates applicable to FMS are computed using the “Annual Rate Billable to Other Federal Agencies” plus the Medicare-Eligible Retiree Health Care (MERHC) accrual. Travel, per diem, living allowance payments, and other entitlements to DOD personnel working on FMS cases must be identical to the payments and entitlements of DOD personnel working on direct DOD mission assignments at similar locations [FMR volume 15, chapter 7, section 070205]. The FAA, Section 503(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF. [FMR volume 15, chapter 7, section 070104.C.5]

Training Pricing

DOD tuition rates for training must be based on the costs of providing the training. There are several factors that impact the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether US appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the US, and/or whether the country is concurrently in receipt of IMET. A general guide for pricing training is also addressed in FMR volume 15, chapter 7, table 7-3 and SAMM C10.14. Detailed instructions to be followed in developing the tuition rates are included in FMR volume 15, chapter 7, section 071002.